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CERTIFIED PUBLIC ACCOUNTANTS

NORTH LOGAN CITY

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2010**

**With Comparative Totals
For June 30, 2009**

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INTRODUCTORY SECTION

CITY OF NORTH LOGAN

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NORTH LOGAN, UTAH 84341
(435) 752-1310
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LLOYD BERENTZEN, MAYOR

JEFFREY M. JORGENSEN, P.E.
CITY ADMINISTRATOR

November 29, 2010

North Logan City
North Logan, Utah

Council:

It is with great pleasure that the financial statements for the North Logan City for the year ended June 30, 2010, are presented.

In addition to the fund financial information currently presented in the City's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the City including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2010, in accordance with these requirements.

This report consists of management's representations concerning the finances of North Logan City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

North Logan City's financial statements have been audited by Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of North Logan City for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that North Logan City's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the City who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Lloyd Berentzen
North Logan City

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
North Logan City
North Logan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Logan City, Utah (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 29, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results for our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Alfred Jackson

November 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of North Logan City we offer readers of North Logan City's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- The total net assets of North Logan City increased 14% to \$19,376,453.
- The total net assets of \$19,376,453 are made up of \$16,476,115 in capital assets net of related debt and \$2,900,338 in other net assets.
- In the General Fund, revenues were more than expenditures by \$128,790 before other financing sources and uses.
- Total long-term debt of the City was reduced by \$201,004.
- Business-type activities' total net assets increased \$109,284.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to North Logan City's basic financial statements, consisting of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of North Logan City's finances in a manner similar to a private-sector business.

- The statement of net assets presents information on all of North Logan City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of North Logan City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of North Logan City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. North Logan City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on the way money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services provided. Governmental fund information helps users determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Library Special Revenue Fund. The rest of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- Proprietary funds – North Logan City maintains one type of proprietary fund (enterprise funds), which reports the same functions presented as business-type activities in the government-wide financial statements. North Logan City uses enterprise funds to account for its Water Utility, Sewer Utility, and Storm Water Utility.

As determined by generally accepted accounting principles, the Water Utility and Sewer Utility funds meet the criteria of major fund classification. The rest of the proprietary funds are determined to be nonmajor and are included in the combining statements within this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of North Logan City, assets exceed liabilities by \$19,376,453.

By far the largest portion of North Logan City's net assets (85%) reflects its investment in capital assets (i.e., land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Current and other assets	\$ 3,237,088	\$ 2,512,126	\$ 2,040,766	\$ 1,778,940
Capital assets	10,999,039	9,086,603	8,591,988	8,693,943
Total assets	14,236,127	11,598,729	10,632,754	10,472,883
Long-term debt outstanding	814,500	947,000	2,300,412	2,368,916
Other liabilities	1,877,024	1,398,745	500,492	381,401
Total liabilities	2,691,524	2,345,745	2,800,904	2,750,317
Net assets:				
Invested in capital assets, net of debt	10,184,539	8,139,603	6,291,576	6,325,027
Restricted	280,816	195,544	954,712	769,214
Unrestricted	1,079,248	917,837	585,562	628,325
Total net assets	\$ 11,544,603	\$ 9,252,984	\$ 7,831,850	\$ 7,722,566

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Revenues:				
Program revenues:				
Charges for services	\$ 1,470,108	\$ 1,742,567	\$ 1,637,814	\$ 1,696,462
Dedicated property tax	399,579	413,469	32,911	32,911
Operating grants & contributions	205,241	35,954	-	-
Capital grants & contributions	2,729,953	341,031	177,929	112,504
General revenues:				
Property taxes	582,461	598,880	-	-
Other taxes	1,809,909	2,107,006	-	-
Investment income	5,514	25,479	9,850	31,270
Other revenues	38,226	38,868	-	-
Total revenues	7,240,991	5,303,254	1,858,504	1,873,147
Expenses:				
General government	679,146	675,964	-	-
Public Safety	1,728,425	1,714,332	-	-
Streets	942,182	909,476	-	-
Sanitation	674,521	668,864	-	-
Parks & recreation	812,391	989,380	-	-
Community development	112,707	108,544	-	-
Water	-	-	916,831	899,484
Sewer	-	-	772,073	919,833
Storm water	-	-	60,316	68,840
Total expenses	4,949,372	5,066,560	1,749,220	1,888,157
Increase (decrease) in net assets	2,291,619	236,694	109,284	(15,010)
Net assets, beginning	9,252,984	9,016,290	7,722,566	7,737,576
Net assets, ending	\$ 11,544,603	\$ 9,252,984	\$ 7,831,850	\$ 7,722,566

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2010, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$1,655,624. This represents an increase of \$211,923 (15%) over last year's ending balances.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to match revenues and expenses are accounted for in this fund.

Taxes are the largest source of revenue in the General Fund and represent 56% of total general fund revenues. The largest element is sales taxes, which represent 75% of total tax revenues and 42% of total General Fund revenues. This compares with 44% in the prior fiscal year ended June 30, 2009.

As stated earlier, the City maintains three enterprise funds to account for its business-type activities. The separate fund statements included in this report provide the same information for business-type activities (but in much more detail) as is provided in the government-wide financial statements.

Significant changes in the governmental funds include a decrease of long-term debt of \$132,500 due to bond principal payments.

Significant changes in business-type activities include a decrease in long-term debt of \$68,504 due to both bond principal payments and the addition of a new capital lease.

GENERAL AND LIBRARY FUND BUDGETARY HIGHLIGHTS

The General Fund original budget for expenditures was \$4,370,031, which was increased 5.5% to \$4,613,623 to fund additional road and park improvements and cover increases in transfers.

The Library Fund original budget for expenditures was \$552,406, which was increased 3% to \$569,080 to cover general operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – North Logan City's investment in capital assets (net of accumulated depreciation) as of June 30, 2010, amounts to \$19,591,027. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc), and equipment. The total increase in the City's investment in fixed assets was 10% due to capital additions noted below being greater than depreciation as described in Note 10 to the financial statements.

Major capital asset events during the current fiscal year included the following:

- \$1,791,270 for construction of roads and sidewalks.
- \$615,145 in land donations for 200 East right of ways.
- \$225,527 for purchase of vehicles.

NORTH LOGAN CITY'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land & water shares	\$ 2,869,339	\$ 327,310
Buildings and equipment	5,812,921	1,326,503
Systems	13,627,506	12,682,730
Less: Accumulated depreciation	<u>(11,310,727)</u>	<u>(5,744,555)</u>
Total	<u>\$ 10,999,039</u>	<u>\$ 8,591,988</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt – At June 30, 2010, the City had total bonded debt outstanding of \$2,986,135. Of this amount \$2,510,070 is considered to be general obligation debt and backed by the full faith and credit of the City. Capital lease obligations are \$128,777 and the remainder of \$476,065 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

NORTH LOGAN CITY'S OUTSTANDING DEBT

	Governmental Activities	Business-type Activities
General obligation bonds- water, sewer, library, and roads	\$ 814,500	\$ 1,695,570
Capital lease		128,777
Revenue bonds		<u>476,065</u>
Total outstanding debt	<u>\$ 814,500</u>	<u>\$ 2,300,412</u>

The City's debt decreased by \$201,004 during the fiscal year.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

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NORTH LOGAN CITY
STATEMENT OF NET ASSETS
JUNE 30, 2010

With Comparative Totals for June 30, 2009

	Governmental Activities	Business-type Activities	Memorandum Totals	
			2010	2009
ASSETS				
Current Assets:				
Cash & Cash equivalents	\$ 990,570	\$ 944,416	\$ 1,934,986	\$ 1,546,515
Account receivable, net	1,934,525	126,166	2,060,691	1,442,595
Prepaid expense	14,691	-	14,691	15,514
Total current assets	2,939,786	1,070,582	4,010,368	3,004,624
Noncurrent assets:				
Deferred issue cost	16,486	15,472	31,958	36,640
Restricted assets:				
Cash	280,816	954,712	1,235,528	1,249,802
Capital assets:				
Land and water shares	2,869,339	327,310	3,196,649	2,581,505
Distribution and collection systems	13,627,506	12,682,730	26,310,236	24,502,806
Buildings and equipment	5,812,921	1,326,503	7,139,424	6,862,857
Less: Accumulated Depreciation	(11,310,727)	(5,744,555)	(17,055,282)	(16,166,622)
Total noncurrent assets	11,296,341	9,562,172	20,858,513	19,066,988
Total assets	14,236,127	10,632,754	24,868,881	22,071,612
LIABILITIES				
Current liabilities:				
Cash allocation	-	420,834	420,834	259,115
Accounts payable	600,113	69,732	669,845	219,412
Accrued expense	91,754	-	91,754	79,476
Deposits	10,684	-	10,684	9,727
Accrued interest payable	1,199	9,926	11,125	11,582
Bonds payable within one year	115,500	233,742	349,242	317,883
Total current liabilities	819,250	734,234	1,553,484	897,195
Noncurrent liabilities:				
Bonds payable	699,000	2,066,670	2,765,670	2,998,033
Deferred amount on refunding	188,731	-	188,731	220,186
Accrued compensated absences	122,116	-	122,116	127,990
Deferred revenue	862,427	-	862,427	852,658
Total noncurrent liabilities	1,872,274	2,066,670	3,938,944	4,198,867
Total liabilities	2,691,524	2,800,904	5,492,428	5,096,062
NET ASSETS				
Invested in capital assets, net of related debt	10,184,539	6,291,576	16,476,115	14,464,630
Restricted for:				
Debt service	-	414,756	414,756	394,154
Impact fees	168,349	539,956	708,305	489,117
Library debt service	-	-	-	-
Equestrian Park	139	-	139	197
Little League	5,304	-	5,304	4,220
State liquor funds	25,101	-	25,101	18,716
Junior Jazz	667	-	667	404
Cemetery	81,256	-	81,256	57,950
Unrestricted	1,079,248	585,562	1,664,810	1,546,162
Total Net Assets	\$ 11,544,603	\$ 7,831,850	\$ 19,376,453	\$ 16,975,550

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
With Comparative Totals for June 30, 2009

	Program Revenues						Business Type Activities	Memorandum Totals	
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants Grants & Contributions	Net Governmental Activities		2010	2009
Governmental activities:									
General government	\$ 679,146	\$ 305,816	\$ -	\$ -	\$ -	\$ (373,330)	\$ -	\$ (373,330)	\$ (496,103)
Public Safety	1,728,425	304,958	-	25,364	7,134	(1,390,969)	-	(1,390,969)	(1,201,796)
Streets	942,182	34,143	-	-	2,669,839	1,761,800	-	1,761,800	(631,508)
Sanitation	674,521	696,838	-	-	-	22,317	-	22,317	26,647
Parks and recreation	812,391	128,353	399,579	179,877	52,980	(51,602)	-	(51,602)	(122,235)
Community development	112,707	-	-	-	-	(112,707)	-	(112,707)	(108,544)
Total governmental activities	4,949,372	1,470,108	399,579	205,241	2,729,953	(144,491)	-	(144,491)	(2,533,539)
Business-type activities:									
Water	916,831	852,911	-	-	132,155	-	68,235	68,235	114,312
Sewer	772,073	613,883	32,911	-	45,774	-	(79,505)	(79,505)	(259,548)
Storm water	60,316	171,020	-	-	-	-	110,704	110,704	98,956
Total business-type activities	1,749,220	1,637,814	32,911	-	177,929	-	99,434	99,434	(46,280)
General Revenues:									
Taxes:									
Property taxes levied for general purposes									
Franchise taxes									
General sales taxes & highway sales taxes									
Business licenses									
Gain (loss) on sale of assets									
Investment income									
Total general revenues									
Change in net assets									
Net assets - beginning									
Net assets - ending									

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY
GOVERNMENTAL FUNDS TYPE
BALANCE SHEET
JUNE 30, 2010**

With Comparative Totals for June 30, 2009

	General	Library	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds	
				2010	2009
ASSETS					
Cash & cash equivalents	\$ 577,548	\$ 176,402	\$ 236,620	\$ 990,570	\$ 713,856
Accounts receivable, net	1,492,027	-	442,498	1,934,525	1,282,935
Prepaid expense	14,691	-	-	14,691	15,514
Restricted cash	280,816	-	-	280,816	480,588
Total assets	<u>\$ 2,365,082</u>	<u>\$ 176,402</u>	<u>\$ 679,118</u>	<u>\$ 3,220,602</u>	<u>\$ 2,492,893</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 584,002	\$ 4,327	\$ 11,784	\$ 600,113	\$ 107,331
Accrued expenses	87,236	4,518	-	91,754	79,476
Deposits	10,684	-	-	10,684	9,727
Deferred revenue	862,427	-	-	862,427	852,658
Total liabilities	<u>1,544,349</u>	<u>8,845</u>	<u>11,784</u>	<u>1,564,978</u>	<u>1,049,192</u>
Fund Balance:					
Reserved for:					
Park impact	95,733	-	-	95,733	74,772
Road impact	72,616	-	-	72,616	39,285
Library debt service	-	-	-	-	-
Equestrian Park	139	-	-	139	197
Little League	5,304	-	-	5,304	4,220
State liquor funds	25,101	-	-	25,101	18,716
Cemetery	81,256	-	-	81,256	57,950
Junior Jazz	667	-	-	667	404
Unreserved:					
General fund	539,917	-	-	539,917	831,428
Special revenue funds	-	167,557	-	167,557	131,685
Capital projects funds	-	-	667,334	667,334	285,044
Total fund balances	<u>820,733</u>	<u>167,557</u>	<u>667,334</u>	<u>1,655,624</u>	<u>1,443,701</u>
Total liabilities and fund balance	<u>\$ 2,365,082</u>	<u>\$ 176,402</u>	<u>\$ 679,118</u>		

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources so they are not reported in the funds.

The cost of these assets is \$22,309,766 and \$19,812,908, respectively and the accumulated depreciation is \$11,310,727 and \$10,726,305 respectively.

10,999,039 9,086,603

Long-term liabilities, including bonds payable and capital leases and accrued compensated absences, are not payable in the current period, so are not reported in the funds.

(1,110,060) (1,277,320)

Total net assets-governmental activities

\$ 11,544,603 \$ 9,252,984

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY
GOVERNMENTAL FUNDS TYPE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010
With Comparative Totals for June 30, 2009**

	General	Library	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds	
				2010	2009
Revenues:					
Taxes	\$ 2,392,370	\$ 399,579	\$ -	\$ 2,791,949	\$ 3,119,355
Licenses and permits	174,377	-	-	174,377	126,177
Intergovernmental revenue	381,142	9,187	-	390,329	375,485
Charges for services	1,154,642	-	-	1,154,642	1,298,867
Fines	121,108	13,293	-	134,401	200,147
Other	17,640	192,729	1,840	212,209	184,762
Total revenues	4,241,279	614,788	1,840	4,857,907	5,304,793
Expenditures:					
Current operations:					
General government	699,602	-	-	699,602	706,318
Public safety	1,594,033	-	40,343	1,634,376	1,721,029
Streets	619,686	-	1,918,337	2,538,023	932,036
Sanitation	674,521	-	-	674,521	668,864
Parks and recreation	411,940	410,967	-	822,907	1,059,309
Community development	112,707	-	-	112,707	108,544
Debt service:					
Principal	-	132,500	-	132,500	118,000
Interest	-	35,449	-	35,449	37,169
Total expenditures	4,112,489	578,916	1,958,680	6,650,085	5,351,269
Excess (deficiency) of revenues over expenditures	128,790	35,872	(1,956,840)	(1,792,178)	(46,476)
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	15
Bond proceeds	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Bond refunding	-	-	-	-	-
Capital contributions	-	-	2,004,101	2,004,101	-
Transfers in (out)	(335,029)	-	335,029	-	-
Total other financing sources	(335,029)	-	2,339,130	2,004,101	15
Net change in fund balances	(206,239)	35,872	382,290	211,923	(46,461)
Fund balances, beginning of year	1,026,972	131,685	285,044	1,443,701	1,490,162
Fund balances, end of year	\$ 820,733	\$ 167,557	\$ 667,334	\$ 1,655,624	\$ 1,443,701

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances-total governmental funds	\$ 211,923
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Purchases of fixed assets	2,226,471	
Contributions of property	378,983	
Loss on disposal of assets	(14,168)	
Depreciation expense	<u>(678,850)</u>	1,912,436

Governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	132,500	
Change in accrued interest payable	178	
Change in accrued compensated absences	5,874	
Amortization of bond issuance costs/refunding	<u>28,708</u>	<u>167,260</u>

Change in net assets of governmental activities	<u>\$ 2,291,619</u>
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NORTH LOGAN CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
GENERAL FUND REVENUES				
Taxes:				
General property taxes-current	\$ 532,762	\$ 519,569	\$ 479,166	\$ (40,403)
Prior years' taxes-delinquent	10,118	26,000	25,665	(335)
General sales & use taxes	1,820,484	1,809,484	1,790,395	(19,089)
Franchise taxes	15,759	20,000	19,514	(486)
Fee-in-lieu of property taxes	106,268	106,268	77,630	(28,638)
Total taxes	2,485,391	2,481,321	2,392,370	(88,951)
Licenses & permits:				
Business licenses & permits	38,000	38,000	38,226	226
Building structures & equipment	70,000	120,000	132,375	12,375
Animal licenses	2,000	3,100	3,776	676
Total licenses & permits	110,000	161,100	174,377	13,277
Intergovernmental revenues:				
Public safety	70,965	33,536	87,652	54,116
State and other governmental grants	66,700	79,828	6,735	(73,093)
Class "C" road fund allotment	293,742	293,742	286,755	(6,987)
Total intergovernmental revenues	431,407	407,106	381,142	(25,964)
Charges for services:				
Zoning & subdivision fees	67,050	101,000	111,540	10,540
Sale of maps & publications	200	200	-	(200)
Public safety	287,247	294,628	295,308	680
Refuse collection charges	704,820	704,820	696,838	(7,982)
Cemetery fees	10,000	34,000	34,490	490
Parks and public property	16,100	16,400	16,466	66
Total charges for services	1,085,417	1,151,048	1,154,642	3,594
Fines & forfeitures:				
Fines	183,000	183,700	120,367	(63,333)
Forfeitures	-	-	741	741
Total fines & forfeitures	183,000	183,700	121,108	(62,592)
Miscellaneous revenue:				
Interest earnings	15,620	3,860	2,587	(1,273)
Rents & miscellaneous	50,000	-	9,053	9,053
Sale of materials & supplies	9,000	9,000	-	(9,000)
Total Miscellaneous revenue	74,620	12,860	11,640	(1,220)
Contributions:				
Contribution from private sources	-	-	6,000	6,000
Total contributions	-	-	6,000	6,000
Total Revenues	\$ 4,369,835	\$ 4,397,135	\$ 4,241,279	\$ (155,856)

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(CONTINUED)
YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
GENERAL FUND EXPENDITURES				
General government:				
Legislative	\$ 94,009	\$ 96,112	\$ 94,803	\$ 1,309
Judicial	161,036	172,616	194,709	(22,093)
Executive	92,759	89,561	86,991	2,570
Administrative	134,462	147,436	147,138	298
Non-departmental	159,365	170,482	169,934	548
Planning & zoning	14,054	11,053	6,027	5,026
Total general government	655,685	687,260	699,602	(12,342)
Public Safety:				
Police department	951,404	910,640	903,821	6,819
Fire department	437,527	394,390	358,906	35,484
Protective inspection	276,545	283,054	276,709	6,345
Animal control	54,869	54,839	54,597	242
Total Public Safety	1,720,345	1,642,923	1,594,033	48,890
Streets & public improvements:				
Streets	572,427	626,666	619,686	6,980
Sanitation	765,000	675,000	674,521	479
Total streets & improvements	1,337,427	1,301,666	1,294,207	7,459
Parks, Recreation & Public Property:				
Park & park areas	412,958	445,129	350,594	94,535
Recreation & culture	51,980	51,980	51,516	464
Cemetery	20,000	28,000	9,830	18,170
Total parks, recreation & public property	484,938	525,109	411,940	113,169
Community & economic development:				
Community planning	119,636	121,636	112,707	8,929
Transfers & other uses:				
Transfer to other funds	52,000	335,029	335,029	-
Total transfers & other uses	52,000	335,029	335,029	-
TOTAL EXPENDITURES	4,370,031	4,613,623	4,447,518	166,105
Net change in fund balance	(196)	(216,488)	(206,239)	10,249
Fund balance at beginning of year	1,026,972	1,026,972	1,026,972	-
Fund balance at end of year	\$ 1,026,776	\$ 810,484	\$ 820,733	\$ 10,249

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
LIBRARY FUND REVENUES				
Dedicated property taxes	\$ 419,516	\$ 410,507	\$ 399,579	\$ (10,928)
Intergovernmental revenue	4,000	4,000	9,187	5,187
Fines	9,360	9,360	13,293	3,933
Other	82,000	102,000	192,729	90,729
Total Revenues	514,876	525,867	614,788	88,921
LIBRARY FUND EXPENDITURES				
General operations	397,356	414,030	410,967	3,063
Debt service principal	122,000	122,000	132,500	(10,500)
Debt service interest	33,050	33,050	35,449	(2,399)
Total Expenditures	552,406	569,080	578,916	(9,836)
Net change in fund balance	(37,530)	(43,213)	35,872	79,085
Fund balance at beginning of year	131,685	131,685	131,685	-
Fund balance at end of year	\$ 94,155	\$ 88,472	\$ 167,557	\$ 79,085

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010
With Comparative Totals for June 30, 2009

	WATER	SEWER	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
				2010	2009
ASSETS					
Current assets:					
Cash & cash equivalents	\$ 672,713	\$ -	\$ 271,703	\$ 944,416	\$ 832,659
Accounts receivable, net	54,348	56,765	15,053	126,166	159,660
Total current assets	727,061	56,765	286,756	1,070,582	992,319
Noncurrent assets:					
Deferred issue cost	15,472	-	-	15,472	17,407
Restricted cash	613,246	341,466	-	954,712	769,214
Capital assets					
Land & water shares	326,460	850	-	327,310	327,310
Distribution and collection systems	7,972,001	4,710,729	-	12,682,730	12,666,570
Buildings and equipment	803,270	358,813	164,420	1,326,503	1,140,380
Less accumulated depreciation	(3,400,429)	(2,335,905)	(8,221)	(5,744,555)	(5,440,317)
Total noncurrent assets	6,330,020	3,075,953	156,199	9,562,172	9,480,564
TOTAL ASSETS	7,057,081	3,132,718	442,955	10,632,754	10,472,883
LIABILITIES					
Current liabilities:					
Cash allocation	-	420,834	-	420,834	259,115
Accounts payable	57,169	8,960	3,603	69,732	112,081
Accrued interest payable	2,738	7,188	-	9,926	10,205
Bonds payable - due within a year	150,000	53,507	30,235	233,742	195,883
Total current liabilities	209,907	490,489	33,838	734,234	577,284
Noncurrent liabilities:					
Bonds payable - due in more than one year	1,275,000	693,128	98,542	2,066,670	2,173,033
Total noncurrent liabilities	1,275,000	693,128	98,542	2,066,670	2,173,033
Total liabilities	1,484,907	1,183,617	132,380	2,800,904	2,750,317
NET ASSETS					
Invested in capital assets, net of related debt	4,276,302	1,987,852	27,422	6,291,576	6,325,027
Restricted for debt service	266,736	148,020	-	414,756	394,154
Restricted for impact fees	346,510	193,446	-	539,956	375,060
Unrestricted	682,626	(380,217)	283,153	585,562	628,325
Total net assets	\$ 5,572,174	\$ 1,949,101	\$ 310,575	\$ 7,831,850	\$ 7,722,566

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

With Comparative Totals for June 30, 2009

	WATER	SEWER	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
				2010	2009
OPERATING REVENUES:					
Charges for services	\$ 849,266	\$ 613,883	\$ 171,020	\$ 1,634,169	\$ 1,693,871
Impact fees	132,155	45,774	-	177,929	112,504
Other	3,645	-	-	3,645	2,591
Total operating revenues	985,066	659,657	171,020	1,815,743	1,808,966
OPERATING EXPENSES					
Wages and benefits	254,011	84,827	16,866	355,704	256,823
Professional fees	16,957	12,630	9,041	38,628	11,137
Disposal and treatment	-	428,694	-	428,694	621,022
Utilities	79,699	-	-	79,699	95,684
Repairs and maintenance	145,154	32,392	2,786	180,332	246,289
Other	94,884	51,760	15,780	162,424	157,671
Facilities	44,865	11,417	7,622	63,904	73,784
Depreciation/amortization	202,459	111,785	8,221	322,465	304,348
Total operating expenses	838,029	733,505	60,316	1,631,850	1,766,758
Operating income (loss)	147,037	(73,848)	110,704	183,893	42,208
NON-OPERATING REVENUES (EXPENSES)					
Interest income	7,637	929	1,284	9,850	31,270
Miscellaneous expense	(7,189)	-	-	(7,189)	(2,194)
Interest expense	(71,613)	(38,568)	-	(110,181)	(119,205)
Property tax	-	32,911	-	32,911	32,911
Total non-operating revenue (expense)	(71,165)	(4,728)	1,284	(74,609)	(57,218)
Change in net assets	75,872	(78,576)	111,988	109,284	(15,010)
Total net assets - beginning	5,496,302	2,027,677	198,587	7,722,566	7,737,576
Total net assets -ending	\$ 5,572,174	\$ 1,949,101	\$ 310,575	\$ 7,831,850	\$ 7,722,566

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010
With Comparative Totals for June 30, 2009

	WATER	SEWER	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
				2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,003,848	\$ 627,796	\$ 170,955	\$ 1,802,599	\$ 1,799,671
Payments to suppliers	(324,992)	(432,775)	(38,520)	(796,287)	(941,108)
Payments to employees	(254,011)	(84,827)	(16,866)	(355,704)	(256,823)
Net cash provided by operating activities	424,845	110,194	115,569	650,608	601,740
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Dedicated property tax	-	32,911	-	32,911	32,911
Principal paid on capital debt	(145,000)	(52,281)	(35,643)	(232,924)	(188,731)
Interest paid on capital debt	(71,613)	(38,568)	-	(110,181)	(119,205)
Purchases of capital assets	(47,506)	(5,503)	-	(53,009)	(220,724)
Net cash used by capital and related financing activities	(264,119)	(63,441)	(35,643)	(363,203)	(495,749)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	7,637	929	1,284	9,850	31,270
Net cash provided by investing activities	7,637	929	1,284	9,850	31,270
Net increase (decrease) in cash and cash equivalents	168,363	47,682	81,210	297,255	137,261
Cash and equivalents at beginning of year	1,117,596	293,784	190,493	1,601,873	1,464,612
Cash and equivalents at end of year	\$ 1,285,959	\$ 341,466	\$ 271,703	\$ 1,899,128	\$ 1,601,873
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 147,037	\$ (73,848)	\$ 110,704	183,893	42,208
Adjustments to reconcile net income from operations to net cash provided by operating activities:					
Depreciation/amortization	202,459	111,785	8,221	322,465	304,348
Changes in assets & liabilities:					
Decrease (increase) in receivables	34,564	(1,005)	(65)	33,494	(10,139)
Increase (decrease) in accruals	49,119	73,263	(3,291)	119,091	267,517
Miscellaneous expense	(8,334)	(1)	-	(8,335)	(2,194)
Total adjustments	277,808	184,042	4,865	466,715	559,532
Net cash provided (used) by operating activities:	\$ 424,845	\$ 110,194	\$ 115,569	\$ 650,608	\$ 601,740

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1: Structure

North Logan City was incorporated in 1934 as a political subdivision of the State of Utah. The City is a fifth class city operating under the traditional form of government (i.e., a Governing Body consisting of a Mayor and five Council Members, with the Mayor voting only to break a tie). The Mayor appoints the Planning Commission, Library Board, and other committees with the consent of the City Council.

The justice court is located in Hyde Park. The same judge presides in both courts and Bailiffs are provided by the North Park Police Department. They are paid by Hyde Park City, with North Logan's share being billed monthly. Police services are provided by North Logan, with Hyde Park paying their share monthly based on an agreed formula.

Solid waste collection is provided by the Cache County Service Area. North Logan is billed monthly for this service and the county dispatch fee, which North Logan then bills to utility customers. Sewage treatment is provided by Logan City and is billed to North Logan monthly based on flow. In addition, pretreatment charges are billed to businesses after the Logan City bill is received.

Library service is funded primarily by a dedicated property tax. State law requires that a Library Board set operational policies and recommend the budget when a dedicated property tax is used. The Friends of the Library was set up as a separate organization to raise additional funds and find grants to supplement the dedicated property tax. The Friends write checks to give funds to the City for library use. The Thorne Endowment provides approximately \$70,000 per year to allow Hyde Park children to use the North Logan Library. Another \$10,000 per year is paid by donations to allow Hyde Park adults to also use the library.

Water, sewer, and storm water services are provided by enterprise funds.

A volunteer fire department provides fire and first responder services.

Facilities maintenance for all public buildings is allocated to other departments monthly based on square footage occupied. Parks, storm drain cleaning, and water treatment plant maintenance are also done by facilities department employees, but are tracked separately.

The streets department handles street maintenance, sweeping, and snow plowing.

A staff planner provides input to the Planning Commission and handles economic development.

Protective Inspection performs plan reviews, building inspections, and engineering.

A part-time recreation director coordinates recreational programs and events sponsored by the City.

The city office staff handles accounting, utility billing, and clerical functions.

Note 2: Summary of significant accounting policies

North Logan City complies with accounting principles generally accepted in the United States of America applicable to governmental units (US GAAP). We apply all relevant Governmental Accounting Standards Board (GASB) pronouncements. Enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before 30 November 1989, unless those pronouncements conflict with or contradict GASB pronouncements, which take precedence.

The financial statements of the City consist only of the funds of the City. The City established a Redevelopment Agency (RDA) pursuant to Utah Code and designated the Mayor and the City Council as the RDA board. No property taxes have been used to fund a project as of June 30, 2010. The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses), as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The general fund is the major operating fund of the City. It accounts for all financial resources not required to be accounted for in another fund. All governmental funds use the modified accrual basis of accounting (i.e., revenues are recognized when they become measurable and available as net current assets; expenditures are recognized when the related fund liability is incurred). Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Special revenue funds follow the same principles as the general fund, but account for legally restricted revenues such as dedicated property tax. When the special revenues cease, the fund is closed to the fund responsible for continuing operations.

Capital projects funds account for the construction of assets funded by bonds, or for the accumulation of funds to replace major equipment.

Enterprise funds are used to account for operations which are financed and operated like a private business, where the governing body intends to finance the costs of providing services to the general public through user charges. The accrual basis of accounting is used (i.e., revenues are recognized when earned; expenses are recognized when incurred).

Only the current portion of long-term liabilities is included in governmental funds. The purchase of fixed assets is recorded in governmental funds, so no depreciation appears on the fund financial statements. GASB 34 requires the capitalization of roads, bridges, and sidewalks (infrastructure), for the government-wide financial statements. This was estimated based on an inventory made by the Technology Transfer Center at Utah State University when GASB34 was implemented.

All fixed assets greater than \$3,000 are valued at historical cost, except donated assets, which are valued at estimated fair market value on the date donated (primarily streets, water, and sewer systems dedicated by developers).

All enterprise funds are accounted for on a cost of services, or "capital maintenance," measurement focus. This means that long-term assets and debts are included on their balance sheets.

Depreciation is calculated on a straight line basis. When assets are transferred, all depreciation is charged to the department receiving the asset. Estimated useful lives are:

Sewer & Water Systems	50 years
Roads	20 years
Buildings & improvements	10 -50 years
Equipment	3-20 years

Annual budgets are adopted by the City Council on or before June 22 for the following fiscal year. Budgets may be increased by resolution of the City Council at any time during the fiscal year following a public hearing.

Property taxes are collected by Cache County and remitted monthly. Real property taxes are due and payable on November 30 of each year. Personal property taxes are collected and remitted to the City monthly.

For the purposes of the Statement of Cash Flows, the business-type activities consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Issuance costs are reported as deferred charges.

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental funds type balance sheet includes reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds type balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$22,309,766
Accumulated depreciation	(11,310,727)
Total difference	<u>\$10,999,039</u>

Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Principal portion of bonds and leases	\$ (814,500)
Bond issue costs, net of amortization	16,486
Accrued interest payable	(1,199)
Deferred amount on refunding	(188,731)
Compensated absences	<u>(122,116)</u>
	<u>\$ (1,110,060)</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$2,226,471
Donated land	378,983
Loss on disposal of fixed assets	(14,168)
Depreciation expense	<u>(678,850)</u>
Net difference as reported	<u>\$1,912,436</u>

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 132,500
Change in accrued compensated absences	5,874
Change in accrued interest payable	178
Amortization of bond issuance costs	<u>28,708</u>
	<u>\$ 167,260</u>

Note 3: Cash & investments

Deposits and Investments

Deposits and investments for the City are governed by the Utah Money management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2010, \$0 of the City's bank balances of \$352,459 was uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2010, the City had investments of \$2,440,332 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Note 4: Accounts receivable

The City has accounts receivable as of June 30, 2010, as follows:

Garbage and Dispatch fee	\$ 58,619	(net of \$12,067 allowance)
Water	54,348	(net of \$9,540 allowance)
Sewer	56,765	(net of \$4,714 allowance)
Storm water	15,053	(net of \$275 allowance)
Property tax	919,836	
Court	32,107	(net of \$37,051 allowance)
Sales tax	346,522	
Energy Use tax	16,358	
Transient room tax	7,619	
Road project	442,498	
Class C Road funds	<u>110,966</u>	
Total	<u>\$ 2,060,691</u>	

Note 5: Utility users

As of June 30, 2010, the number of utility users was:

	Residential	Commercial
Water	2,021	86
Sewer	1,874	142
Garbage	1,897	127
Dispatch	1,863	186
Storm water	1,923	153

Water rates:

\$1.57 per thousand gallons, plus:

Meter size	Fee
¾ or 1	7.11
1 ½	10.34
2	14.22
3	29.09
4	54.29
5	135.74

Sewer rates:

\$1.96 per thousand gallons winter water usage, plus:

Water meter size	Fee
¾ or 1	\$ 22.10
1 ½	30.40
2	41.45
3	82.88
4	151.95
5	375.70

Storm water rates:

Residential	\$ 3.50
Commercial	Per ERU
Multi-family	2.00

Garbage rates:

Res. 90 gallon w/ recycle	\$ 14.40
Res. 60 gallon w/ recycle	12.15
Green Waste	4.00
Commercial	1.15 plus \$6.20 per cubic yard of container
Recycle can	3.00

Dispatch rates:

All	\$ 2.00
-----	---------

Note 6: Insurance & bond coverage

As of June 30, 2010, insurance and bond coverage's are as follows:

Type	Insurer	Limit	Expires
Comprehensive general Liability (including errors And omissions)	Utah Local Governments Trust	\$5,000,000	7/1/10
Automobiles – liability	Utah Local Governments Trust	5,000,000	7/1/10
Buildings & Contents	Utah Local Governments Trust	11,974,550	7/1/10
Mayor & Treasurer	Western Surety	424,710	6/26/11
Bonds			
Blanket employee bond	Allied Insurance	10,000	4/1/11
Treasurer position bond	Hartford	346,000	11/26/10

Note 7: Over expended budget

The following departments within the General and Library funds over expended their budgets:

Judicial	22,093
Library debt service	12,899

Note 8: Long-term debt

Long-term debt at June 30, 2010, consists of the following:

Water fund:	7/1/09	Principal Paid	6/30/10	Due in 1 yr
-------------	--------	----------------	---------	-------------

US Bank Trust;
\$2,495,000 due in
annual installments
ranging from \$50,000
to \$780,000 per year
plus interest ranging
from 3.10% to 4.70%

1,570,000

145,000

1,425,000

150,000

Total water fund

\$1,425,000

Sewer fund:

GMAC; \$1,000,000
Due in monthly
Installments of
\$4,830 including
interest at 5.00%

510,526

34,461

476,065

34,089

GMAC; \$560,000
Due in annual
Installments of
\$32,911 including
interest at 5.00%

288,390

17,820

270,570

19,418

Total sewer fund

\$746,635

Storm water fund:

Capital lease; \$164,420
Due in annual installments
of \$35,644 including interest
of 4.2%. Asset value \$164,420
with depreciation and accum.
depreciation of \$8,221.

35,643

\$128,777

30,235

Total storm water fund

\$128,777

Library fund:

US Bank; library,
\$1,065,000 due in
annual installments
ranging from \$118,000
to \$150,000 plus
interest of 3.49%

947,000

132,500

814,500

115,500

Total Library fund

\$814,500

Assets have been restricted and retained earnings reserved to meet bond sinking fund requirements. The City is in compliance with all significant bond requirements.

The annual requirements to amortize long-term debt outstanding as of June 30, 2010, are as follows:

<u>June 30</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2011	\$ 349,242	\$ 137,328
2012	377,770	122,380
2013	391,994	106,342
2014	406,425	89,695
2015	389,424	72,434
2016	408,797	55,579
2017	272,344	37,870
2018	286,075	24,744
2019	79,998	10,955
2020	<u>152,843</u>	<u>5,485</u>
Totals	<u>\$ 3,114,912</u>	<u>\$ 662,812</u>

Advance Refunding- March 18, 2010

The City issued \$1,065,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$1,305,000 of general obligation bonds. As a result, a portion of the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$251,641. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

Note 9: Retirement Systems

Plan Description

The City contributes to the Local Government Contributory Retirement System, the Local Government Noncontributory Retirement System, the Public Safety Contributory Retirement System, and the Public Safety Noncontributory Retirement System for employers with Social Security coverage. All of these are cost-sharing, multiple-employer defined benefit pension plans administered by the Utah Retirement Systems, which provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing the Utah Retirement Systems, 540 E 200 S, Salt Lake City UT 84102 or by calling 1-800-365-8772.

Funding Policy

Rates	Paid by Employer for		
	<u>Employee</u>	<u>Employer</u>	
Local Gov't Contributory	6.00	7.65	
Local Gov't Noncontributory	n/a	11.66	
Public Safety Contributory	12.29	15.01	
Public Safety Noncontributory	n/a	25.90	
Firefighters	13.49	n/a	
Contributions	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>6/30/2008</u>
Local Gov't Contributory	10,013	7,416	8,551
Local Gov't Noncontributory	118,833	112,373	99,927
Public Safety Contributory	58,010	11,643	38,343
Public Safety Noncontributory	25,217	50,570	19,917
Firefighters	13,432	5,447	4,943

One employee previously retired under the Public Safety Contributory plan. The Police chief retired November 30, 2003, under the Public Safety Noncontributory plan but continues to work. The City pays 23.3% of their salary to a 401K plan. Payments for 2010 totaled \$48,424.

No contribution is made for covered part-time employees who do not qualify for other benefits.

Note 10: Changes in Fixed Assets

General fixed asset changes occurring for the year ended June 30, 2010, are as follows:

	<u>7/1/2009</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>6/30/2010</u>
Land	\$2,196,025	\$ 615,145	\$	\$2,811,170
Water shares	58,169			58,169
Buildings	2,291,248	50,842		2,342,090
Library	302,750	27,952		330,702
Police	281,016	44,618	14,038	311,596
Fire	1,254,341	3,878	26,488	1,231,731
Streets	739,417			739,417
Parks	515,300	38,039		553,339
Facilities	123,608	14,067	64,146	73,529
Inspection	88,161			88,161
Administrative	6,529	19,644		26,173
Executive	47,220			47,220
Planner	9,855		3,925	5,930
Cemetery	63,033			63,033
Road System	<u>11,836,236</u>	<u>1,791,270</u>		<u>13,627,506</u>
Total assets	<u>19,812,908</u>	<u>2,605,455</u>	<u>108,597</u>	<u>22,309,766</u>
Accumulated depreciation	<u>(10,726,305)</u>	<u>(678,850)</u>	<u>(94,428)</u>	<u>(11,310,727)</u>
Net assets	<u>\$ 9,086,603</u>	<u>\$ 1,926,605</u>	<u>\$ 14,169</u>	<u>\$10,999,039</u>

Enterprise fund changes were as follows:

Water:				
Land	\$ 310,301	\$	\$	\$ 310,301
Water shares	16,159			16,159
System	7,955,841	16,160		7,972,001
Buildings & equipment	750,723	31,346	(21,201)	803,270
Accumulated depreciation	<u>(3,179,849)</u>	<u>(200,524)</u>	<u>20,056</u>	<u>(3,400,429)</u>
Net assets	<u>\$5,853,175</u>	<u>\$ (153,018)</u>	<u>\$ (1,145)</u>	<u>\$5,701,302</u>
Sewer:				
Land	\$ 850	\$	\$	\$ 850
System	4,710,729			4,710,729
Equipment	389,657	5,503	36,347	358,813
Accumulated depreciation	<u>(2,260,468)</u>	<u>(111,785)</u>	<u>(36,348)</u>	<u>(2,335,905)</u>
Net assets	<u>\$2,840,768</u>	<u>\$ (106,282)</u>	<u>\$ (1)</u>	<u>\$2,734,487</u>
Storm water:				
Equipment	\$	\$ 164,420	\$	\$ 164,420
Accumulated depreciation		<u>(8,221)</u>		<u>(8,221)</u>
Net assets	<u>\$ -</u>	<u>\$ 156,199</u>	<u>\$ -</u>	<u>\$ 156,199</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 19,129
Public safety	142,545
Streets	417,422
Parks & recreation	<u>99,754</u>
	<u>\$678,850</u>

Note 11: Segment Information for Enterprise Funds

Net working capital for the enterprise funds is calculated as follows:

	Water	Sewer	Storm Water
Current Assets:			
Cash	\$1,285,959	\$ 341,466	\$ 271,703
Receivables	54,348	56,765	15,053
Current Liabilities:			
Accounts payable	(57,169)	(429,794)	(3,603)
Accrued interest	(2,738)	(7,188)	--
Current portion			
Long-term debt	<u>(150,000)</u>	<u>(53,507)</u>	<u>(30,235)</u>
Net Working Capital	<u>\$1,130,400</u>	<u>\$ (92,258)</u>	<u>\$ 252,918</u>

Note 12: Risk Management

In addition to the insurance coverage in Note 6, workers compensation is carried through the Utah Local Government Trust. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 13: Compensated Absences

Most employees earn paid vacation and sick days each month based on length of service. Also, if sick time is not used during the calendar year, up to 32 hours can be converted to vacation time at December 31. In addition, some employees are still owed for compensatory time in lieu of overtime pay from previous years. Vacation hours in excess of two years earnings not used before November 1 are forfeited. The termination method was used to accrue compensated absences of \$132,885 in the General, Water and Sewer funds. All vacation hours and all compensatory time hours would be paid on termination. Only 10% of sick hours would be paid. Sick hours excluded amounts to \$276,852. Based on past experience 20% of sick hours would be used in a year.

Note 14: Memorandum Totals

Total columns on the financial statements are captioned Memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

SUPPLEMENTAL SECTION

NORTH LOGAN CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
With Comparative Totals for June 30, 2009

	<u>Capital Projects</u>	<u>Total Nonmajor Governmental 2010</u>	<u>2009</u>
ASSETS			
Restricted cash	\$ 236,620	\$ 236,620	\$ 285,044
Accounts receivable	<u>442,498</u>	<u>442,498</u>	<u>-</u>
Total assets	<u><u>\$ 679,118</u></u>	<u><u>\$ 679,118</u></u>	<u><u>\$ 285,044</u></u>
LIABILITIES & FUND BALANCE			
Liabilities:			
Accounts payable	\$ 11,784	\$ 11,784	\$ -
Accrued expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>11,784</u>	<u>11,784</u>	<u>-</u>
Fund balances:			
Unreserved:			
Capital projects funds	<u>667,334</u>	<u>667,334</u>	<u>285,044</u>
Total fund balances	<u>667,334</u>	<u>667,334</u>	<u>285,044</u>
Total liabilities & fund balances	<u><u>\$ 679,118</u></u>	<u><u>\$ 679,118</u></u>	<u><u>\$ 285,044</u></u>

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010
With Comparative Totals for June 30, 2009

	Capital Projects	Total Nonmajor Governmental 2010	2009
REVENUES			
Charges for services	\$ -	\$ -	\$ -
Other	1,840	1,840	7,434
Total revenues	1,840	1,840	7,434
EXPENDITURES			
Current operations:			
General government	-	-	46,723
Public safety	40,343	40,343	50,304
Streets	1,918,337	1,918,337	59,420
Total expenditures	1,958,680	1,958,680	156,447
Excess (deficiency) of revenues over expenditures	(1,956,840)	(1,956,840)	(149,013)
Other financing sources (uses):			
Capital contributions	2,004,101	2,004,101	-
Transfers in (out)	335,029	335,029	-
Total other financing sources	2,339,130	2,339,130	-
Net change in fund balances	382,290	382,290	(149,013)
Fund balances-beginning	285,044	285,044	434,057
Fund balances-ending	\$ 667,334	\$ 667,334	\$ 285,044

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010
With Comparative Totals for June 30, 2009

	<u>Storm water</u>	<u>Total Nonmajor Proprietary</u>	
		2010	2009
ASSETS			
Cash and cash equivalents	\$ 271,703	\$ 271,703	\$ 190,493
Accounts receivable	<u>15,053</u>	<u>15,053</u>	<u>14,988</u>
Total current assets	<u>286,756</u>	<u>286,756</u>	<u>205,481</u>
Capital assets			
Buildings and equipment	164,420	164,420	-
Less accumulated depreciation	<u>(8,221)</u>	<u>(8,221)</u>	<u>-</u>
Total noncurrent assets	<u>156,199</u>	<u>156,199</u>	<u>-</u>
Total assets	<u><u>\$ 442,955</u></u>	<u><u>\$ 442,955</u></u>	<u><u>\$ 205,481</u></u>
LIABILITIES & NET ASSETS			
Liabilities:			
Accounts payable	\$ 3,603	\$ 3,603	\$ 6,894
Bonds payable - due within a year	<u>30,235</u>	<u>30,235</u>	<u>-</u>
Total current liabilities	<u>33,838</u>	<u>33,838</u>	<u>6,894</u>
Noncurrent liabilities:			
Bonds payable - due in more than one year	<u>98,542</u>	<u>98,542</u>	<u>-</u>
Total noncurrent liabilities	<u>98,542</u>	<u>98,542</u>	<u>-</u>
Total liabilities	<u>132,380</u>	<u>132,380</u>	<u>6,894</u>
NET ASSETS			
Unrestricted:			
Storm water	<u>310,575</u>	<u>310,575</u>	<u>198,587</u>
Total net assets	<u>310,575</u>	<u>310,575</u>	<u>198,587</u>
Total liabilities & net assets	<u><u>\$ 442,955</u></u>	<u><u>\$ 442,955</u></u>	<u><u>\$ 205,481</u></u>

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2010
With Comparative Totals for June 30, 2009

	Storm Water	Total Nonmajor Proprietary 2010	2009
OPERATING REVENUES			
Charges for services	\$ 171,020	\$ 171,020	\$ 167,796
Other	-	-	-
	<u>171,020</u>	<u>171,020</u>	<u>167,796</u>
Total operating revenues	<u>171,020</u>	<u>171,020</u>	<u>167,796</u>
OPERATING EXPENSES			
Wages and benefits	16,866	16,866	4,491
Professional fees	9,041	9,041	4,577
Repairs and maintenance	2,786	2,786	36,015
Other	15,780	15,780	14,956
Facilities	7,622	7,622	8,801
Depreciation	8,221	8,221	-
	<u>60,316</u>	<u>60,316</u>	<u>68,840</u>
Total operating expenses	<u>60,316</u>	<u>60,316</u>	<u>68,840</u>
Operating income	110,704	110,704	98,956
NON-OPERATING EXPENSES			
Interest income	1,284	1,284	2,407
Interest expense	-	-	-
	<u>1,284</u>	<u>1,284</u>	<u>2,407</u>
Total non-operating expenses	<u>1,284</u>	<u>1,284</u>	<u>2,407</u>
Change in net assets	111,988	111,988	101,363
Net assets-beginning	<u>198,587</u>	<u>198,587</u>	<u>97,224</u>
Net assets-ending	<u>\$ 310,575</u>	<u>\$ 310,575</u>	<u>\$ 198,587</u>

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010
With Comparative Totals for June 30, 2009

	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
		2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 170,955	\$ 170,955	\$ 168,027
Payments to suppliers	(38,520)	(38,520)	(58,356)
Payments to employees	(16,866)	(16,866)	(4,491)
Net cash used by operating activities	115,569	115,569	105,180
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(35,643)	(35,643)	-
Interest paid on capital debt	-	-	-
Purchases of capital assets	-	-	-
Net cash used by capital and related financing activities	(35,643)	(35,643)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,284	1,284	2,407
Net cash provided by investing activities	1,284	1,284	2,407
Net increase (decrease) in cash and cash equivalents	81,210	81,210	107,587
Cash and equivalents at beginning of year	190,493	190,493	82,906
Cash and equivalents at end of year	\$ 271,703	\$ 271,703	\$ 190,493
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 110,704	\$ 110,704	\$ 98,956
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Depreciation	8,221	8,221	-
Changes in assets & liabilities:			
Decrease (increase) in receivables	(65)	(65)	231
Increase (decrease) in accruals	(3,291)	(3,291)	5,993
Total adjustments	4,865	4,865	6,224
Net cash provided (used) by operating activities:	\$ 115,569	\$ 115,569	\$ 105,180

The notes to the financial statements are an integral part of this statement.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Honorable Mayor and City Council
North Logan City
North Logan, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Logan City, Utah (the City) as of and for the year ended June 30, 2010, which collectively comprise the City of North Logan's basic financial statements and have issued our report thereon dated November 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying management letter as finding 2010-1 and 2010-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management letter as findings 2010-3, and 2010-4.

The City of North Logan's responses to the findings identified in our audit are described in the accompanying management letter. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the City Council and management, and certain legislative bodies and is not intended to be and should not be used by anyone other than these specified parties.

Allred Jackson

November 29, 2010



INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
North Logan City
North Logan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Logan City, Utah (the City), for the year ended June 30, 2010, and have issued our report thereon dated November 29, 2010. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2010. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the City of North Logan's financial statements.)

Public Library Development Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

Public Debt	Justice Courts
Cash Management	B & C Road Funds
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Other General Issues
Truth in Taxation and	Impact fees
Property Tax Limitations	Uniform Building Code Standards
	State Retirement

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on the city's compliance with these requirements.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the North Logan City, Utah, complied, in all material respects, with the general compliance requirements identified above, and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2010.

The city's written responses to the findings identified in our audit are described in the accompanying management letter. We did not audit the city's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the city and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Allred Jackson

November 29, 2010



November 29, 2010

Honorable Mayor and City Council
North Logan City
North Logan, Utah

Dear Mayor Berentzen:

In planning and performing our audit of the financial statements of the North Logan City, UT (the City) as of and for the year ending June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider findings 2010-1 and 2010-2 listed below to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of North Logan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

CURRENT YEAR FINDINGS

Finding 2010-1: *Audit Adjustments (significant deficiency)*

While conducting the audit we found audit adjustments that needed to be booked. These adjustments were to adjust accounts payable, adjust fixed assets and depreciation, and adjust accounts receivable. Although the City regularly posts and adjusts these accounts, these adjustments were not originally identified by management and therefore represent a significant deficiency in preparation of financial statements that are correct in accordance with US Generally Accepted Accounting Principles.

Recommendation:

We recommend that prior to audit fieldwork you review and adjust all accounts to ensure the current year organizational financial statements reflect the correct year end balances.

Management response:

Management will review and adjust accounts payable, fixed assets and depreciation, and accounts receivable at least monthly throughout the fiscal year. After the end of the fiscal year, and prior to the annual audit, a review and adjustments will be performed again as necessary. Allred Jackson will be contacted for input as questions arise throughout the year.

Finding 2010-2: *Fixed Asset Tracking/Depreciation (significant deficiency)*

During the testing of fixed assets we noted that the schedule that tracks depreciation included amounts that were double booked as both land and improvements.

Recommendation:

We recommend reviewing the current procedures for tracking and maintaining fixed assets and calculating depreciation.

Management response:

Allred Jackson has provided direction regarding Asset & Depreciation schedules in the future. Management will follow the recommendation given by assessing, tracking and recording capital purchases in the depreciation schedule on a monthly basis. After the end of the fiscal year, and prior to the annual audit, a review and adjustments will be performed as necessary.

Finding 2010-3: *Budgetary Compliance (State Compliance)*

During our review of the budget to actual for the departments of the City, we became aware that one general fund department's actual expenditures exceeded the appropriations as well as the debt service department in the Library fund.

Recommendation:

We recommend that the City monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year-end.

Management response:

Judicial: Actual expenditures exceeded the final budget by \$22,092. This was due to billing from Hyde Park for expenses paid in July 2010, but incurred and booked in June 2010. The Final Budget review and approval in mid June did not anticipate all the additional reparations, wage & benefits and other expenses not yet billed by June 30th. Management will work more closely with the court each month, request estimated expenses to be incurred during June, and will review Final Budget amounts with the court to anticipate payments made by year end.

Library Debt Service: Actual exceeded the final budget by \$12,899. This was mainly due to payments made after the Final Budget approval including, an additional payment made to US Bank. Management will take more care to ensure that services and supplies are reviewed and budgeted more closely with departments at year end.

Finding 2010-4: *Sewer fund balance deficit (state compliance)*

The sewer fund incurred a deficit unreserved fund balance during the year and remained in deficit at year end.

Recommendation:

Prepare a plan to reduce the deficit and maintain a positive unreserved fund balance going forward.

Management response:

Management has found that during the year, after Logan City adjustments were credited back to North Logan City, that payment on sewer treatment increased and required North Logan City to raise sewer rates for North Logan City customers by Resolution 10-06 which became effective July 1, 2010.

PRIOR YEAR FINDINGS

Finding 2009-1: *Audit Adjustments (material weakness)*

While conducting the audit we found audit adjustments that needed to be booked. These adjustments were to adjust accounts payable, adjust fixed assets and depreciation, and adjust accounts receivable. Although the City regularly posts and adjusts these accounts, these adjustments were not originally identified by management and therefore represent a material weakness in preparation of financial statements that are correct in accordance with US Generally Accepted Accounting Principles.

Recommendation:

We recommend that prior to audit fieldwork you review and adjust all accounts to ensure the current year organizational financial statements reflect the correct year end balances.

Management response:

Management will review and adjust accounts payable, fixed assets and depreciation, and accounts receivable at least quarterly throughout the fiscal year. After the end of the fiscal year, and prior to the annual audit, a review and adjustments will be performed again as necessary.

Finding 2009-2: *Fixed Asset Tracking/Depreciation (significant deficiency)*

During the testing of fixed assets we noted that the schedule that tracks depreciation had many errors in calculating depreciation. Also, some of the additions and all of the deletions were not on the original fixed asset schedule.

Recommendation:

We recommend reviewing the current procedures for tracking and maintaining fixed assets and calculating depreciation.

Management response:

Management will follow the recommendation given by assessing, tracking and recording capital purchases in the depreciation schedule on a monthly basis. After the end of the fiscal year, and prior to the annual audit, a review and adjustments will be performed as necessary.

Status:

Adjustments to the fixed asset schedule as well as the financial statements were needed. See current year finding.

Finding 2009-3: *Budgetary Compliance (State Compliance)*

During our review of the budget to actual for the departments of the City, we became aware that two general fund department's actual expenditures exceeded the appropriations.

Recommendation:

We recommend that the City monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year-end.

Management response:

Judicial: Actual expenditures exceeded the final budget by \$587. This was due to Victim Reparations paid in July 2009, but incurred and booked in June 2009. The Final Budget review and approval in mid June did not anticipate all of the additional reparations to be paid by June 30th. Management is working closely with the court each month, and will review Final Budget amounts with the court to anticipate payments made by year end.

Non-departmental: Actual exceeded the final budget by \$10,763. This was mainly due to payments made after the Final Budget approval including, an additional payment made to Cache County Service for Garbage, starting to use Postal Express mailing service for city billings at the end of June, and the purchase of Copier supplies purchased on the last day of June. Management will take more care to ensure that services and supplies are reviewed and budgeted more closely with departments at year end.

Status:

Two departments exceeded appropriations for the year ended June 30, 2010. See current year finding.

Finding 2009-4: *Sewer fund balance deficit (state compliance)*

The sewer fund incurred a deficit unreserved fund balance during the year and remained in deficit at year end.

Recommendation:

Prepare a plan to reduce the deficit and maintain a positive unreserved fund balance going forward.

Management response:

Management has found that during the last six months, approximately, measurements used by Logan City to determine the amount of sewer flow out of North Logan to be treated by Logan City has been overestimated by a factor of about two. North Logan Utilities and North Logan Engineering Departments are working together to gathering more precise data on sewer flow in order to dispute Logan City's measurements. Once this error is corrected, Logan City will be crediting funds back to North Logan City for over payment on sewer treatment. This should bring the Sewer Department's expenditures more in line with its revenue. If this does not solve the problem, management will consider an increase in sewer rates for North Logan City customers.

Status:

The City still maintained a negative unrestricted fund balance. See current year finding.

Finding 2009-5: *Three day deposit (state compliance)*

The City did not deposit funds into an approved financial institution within the timeframe given by the State of Utah.

Recommendation:

Implement a procedure to insure that all deposits are remitted into an approved financial institution within three working days.

Management response:

Management will monitor this requirement on an ongoing basis during monthly bank reconciliation reviews.

Status:

During the current year testing, the City was found to be in compliance.

Finding 2009-6: *General unreserved fund balance (state compliance)*

The State of Utah requires that cities must maintain an unreserved general fund balance of at least 5% and not to exceed 18%. The City had an unreserved general fund balance of 19% as of June 30, 2010.

Recommendation:

Establish a plan to reduce the unreserved general fund balance by approximately \$46,000.

Management response:

The fiscal year 2010 budget currently established shows a projected unrestricted fund balance of about 8%. Great care has been taken to avoid going below the allowed fund balance range, especially being conservative in projected revenue. The majority of the unexpected increase in the unreserved fund balance at the end of the fiscal year came from higher revenue than anticipated during the current economic downturn.

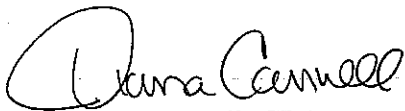
Status:

The City was in compliance with a 12% general unrestricted fund balance.

In conclusion, we wish to recognize Jeff Jorgensen and Scott Bennett for the excellent services provided to North Logan City. They have been most cooperative in assisting us in the performance of the audit for the 2010 fiscal year. The performance of the North Logan City annual fiscal year audit has been an enjoyable experience for us and we would like to thank the City for the opportunity to serve as independent auditors.

Very truly yours,

ALLRED JACKSON


Diana Cannell, CPA